

SILICON VALLEY

Opportunities and Challenges

RUSSELL HANCOCK

President & Chief Executive Officer

Joint Venture Silicon Valley

Silicon Valley Institute for Regional Studies





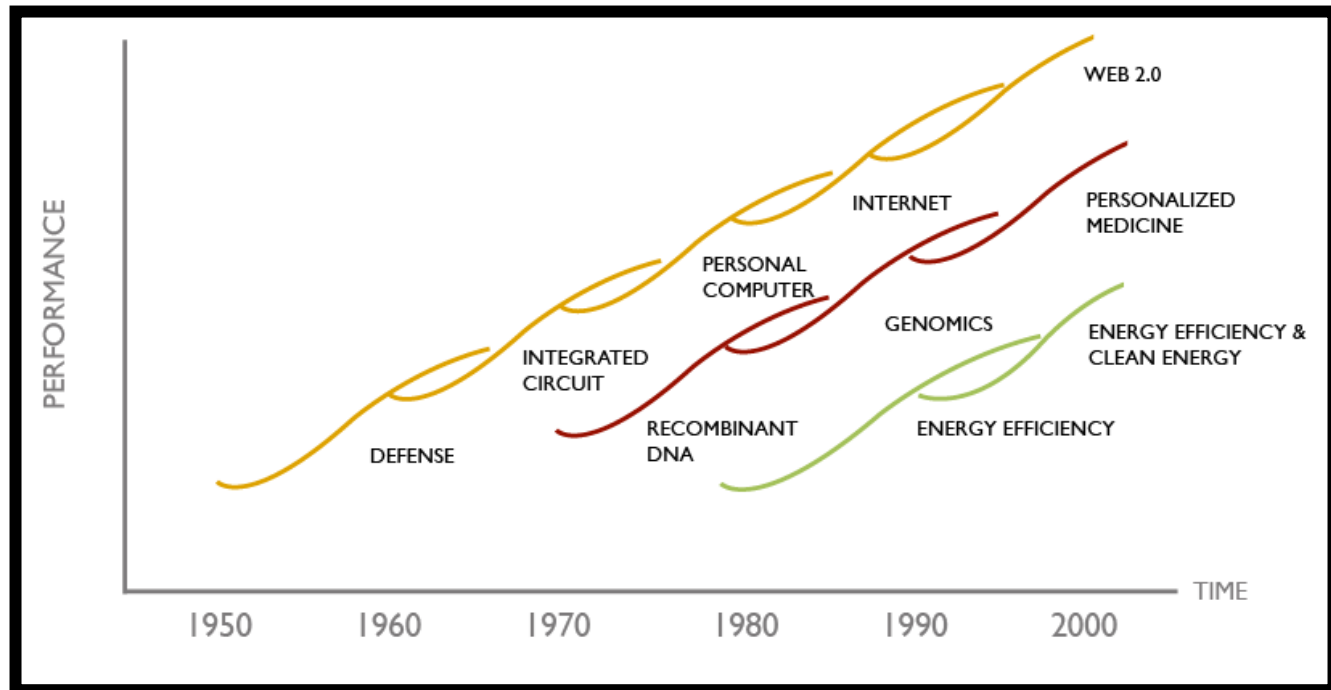
**What is
Silicon
Valley?**

Silicon Valley is:

**The world's most
enduring hotbed of
innovation and
entrepreneurship**

Silicon Valley is:

**A place that keeps
reinventing itself**



Largest Silicon Valley Employers

| 1982 | 2002 |
|---------------------------|--|
| 1. Hewlett-Packard | 1. Hewlett-Packard |
| 2. National Semiconductor | 2. Intel |
| 3. Intel | 3. Cisco* |
| 4. Memorex | 4. Sun* |
| 5. Varian | 5. Solectron |
| 6. Environtech* | 6. Oracle |
| 7. Ampex | 7. Agilent* |
| 8. Raychem* | 8. Applied Materials |
| 9. Amdahl* | 9. Apple |
| 10. Tymshare* | 10. Seagate Technology |
| | 11. Palm, * Google, * Cadence, * Adobe, * Yahoo* |

*no longer existed in 2002

*didn't exist in 1982

Silicon Valley is:

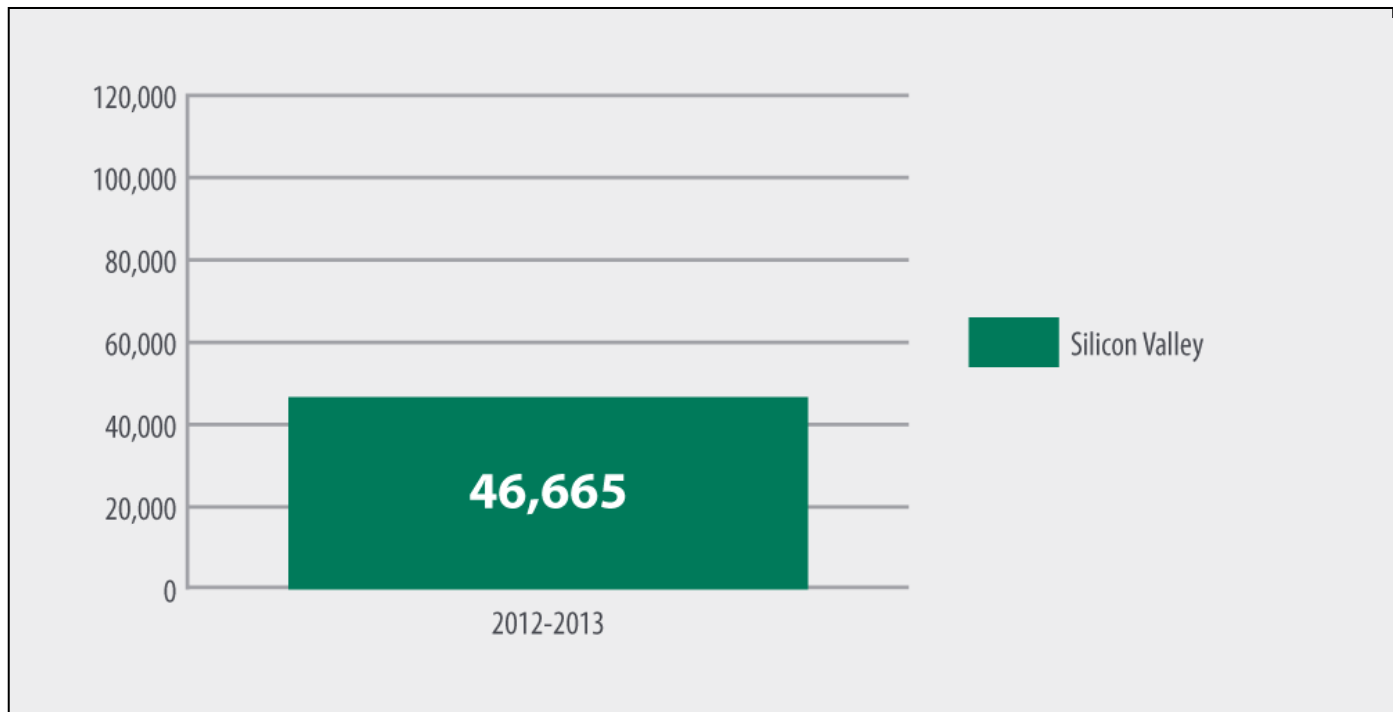
Where we live!



**So what's
happening in
Silicon Valley
right now?**

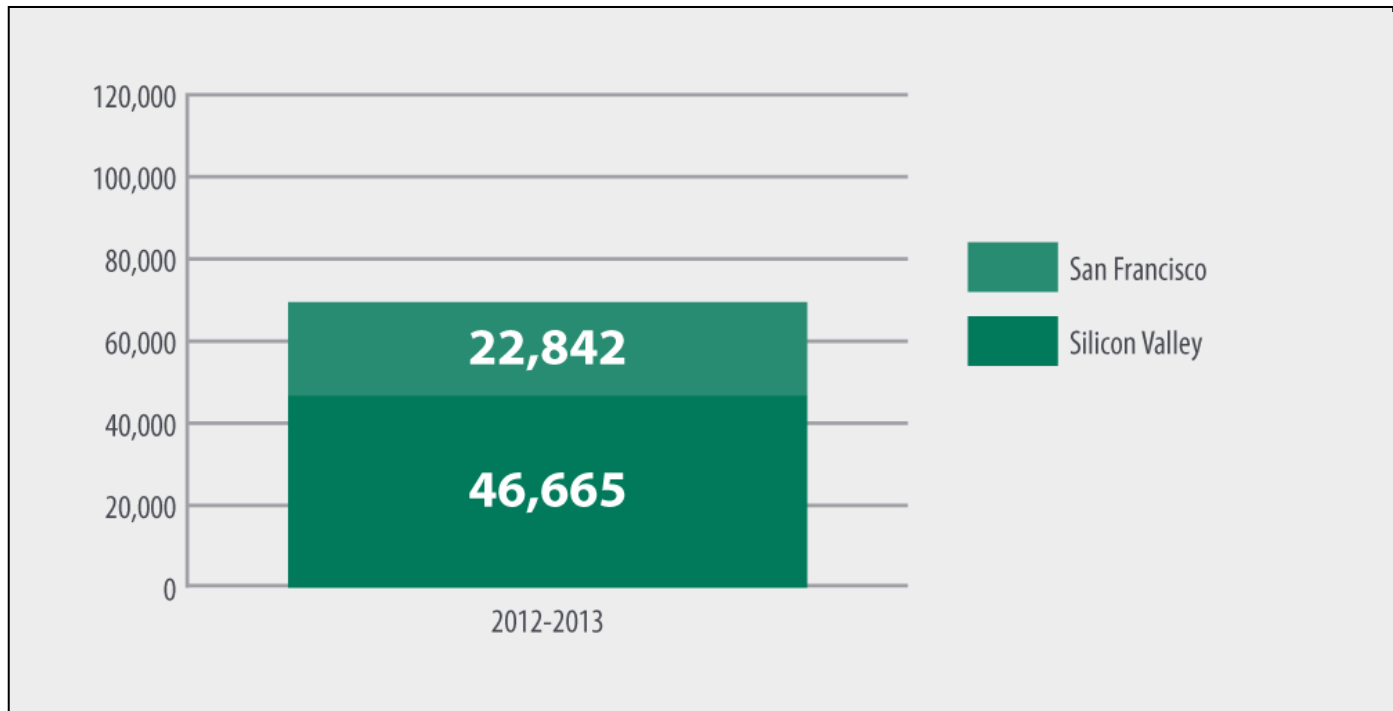
JOB GROWTH

Annual change in Total Number of Jobs, 2012-2013



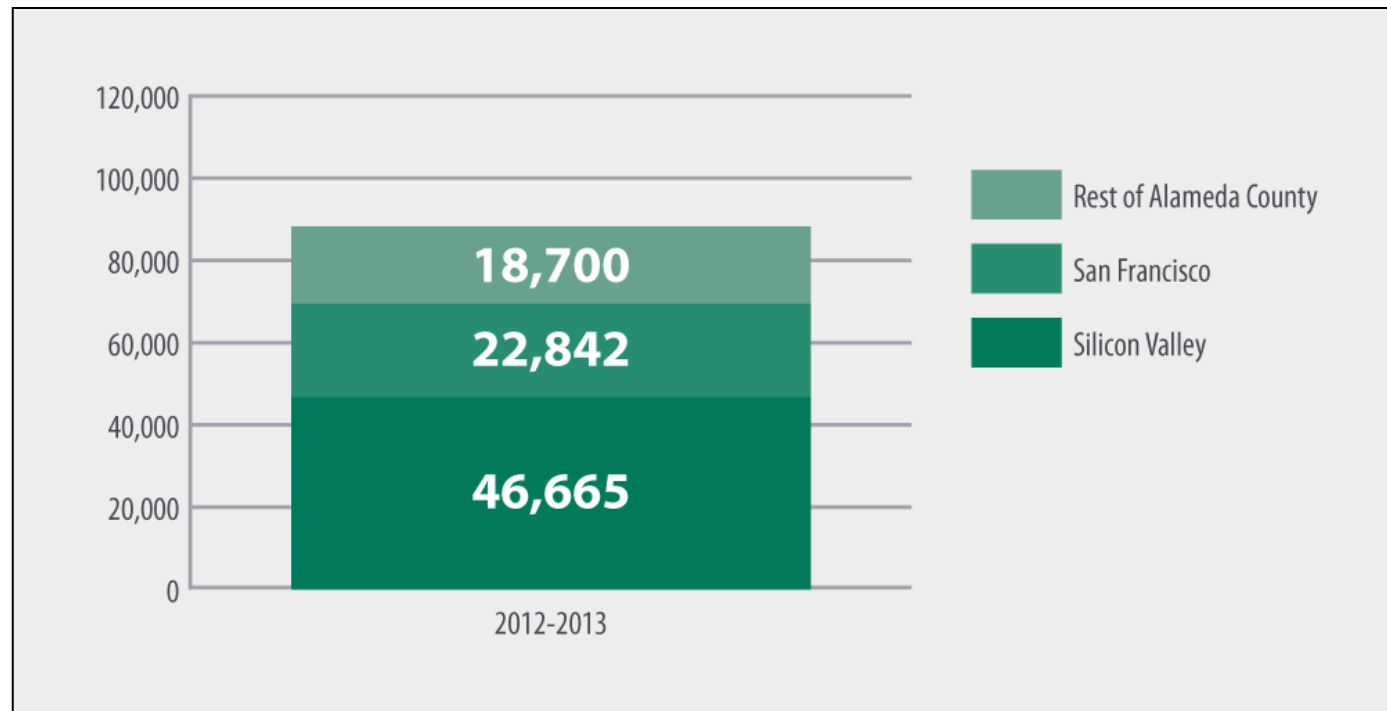
JOB GROWTH

Annual change in Total Number of Jobs, 2012-2013



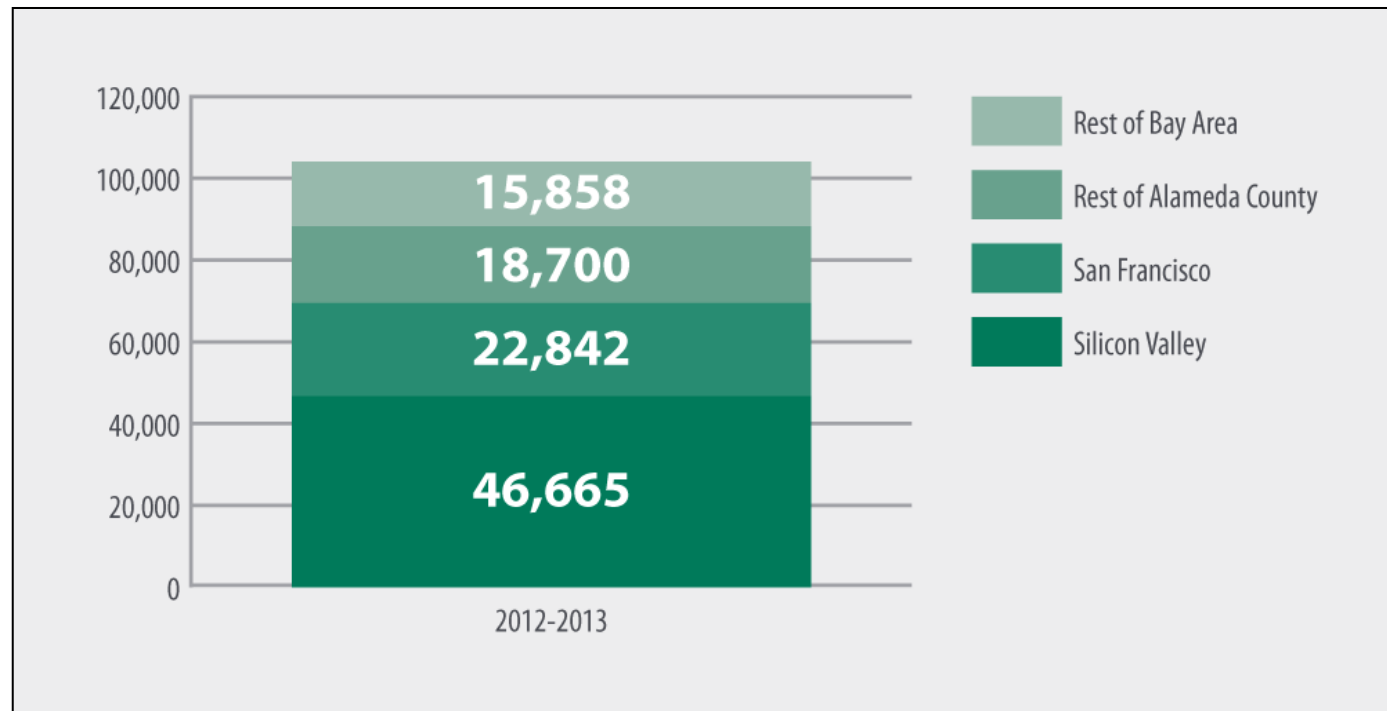
JOB GROWTH

Annual change in Total Number of Jobs, 2012-2013



JOB GROWTH

Annual change in Total Number of Jobs, 2012-2013



104,065

+3.1%

MAJOR AREAS OF ECONOMIC ACTIVITY

APPENDIX A

| | EMPLOYMENT Q2 2013 | PERCENT OF TOTAL SILICON VALLEY EMPLOYMENT | PERCENT CHANGE | |
|--|-----------------------|--|----------------|--------------|
| | | | 2007-2013 | 2012-2013 |
| TOTAL EMPLOYMENT | 1,423,491 | 100.0% | 3.1% | 3.4% |
| COMMUNITY INFRASTRUCTURE & SERVICES | 706,006 | 49.6% | 0.6% | 2.9% |
| HEALTHCARE & SOCIAL SERVICES* | 132,797 | 9.3% | 15.8% | 4.2% |
| RETAIL | 130,005 | 9.1% | -2.1% | 1.7% |
| ACCOMMODATION & FOOD SERVICES | 114,225 | 8.0% | 11.4% | 4.1% |
| EDUCATION* | 100,867 | 7.1% | 7.6% | -0.1% |
| CONSTRUCTION | 58,687 | 4.1% | -18.3% | 9.2% |
| LOCAL GOVT. ADMINISTRATION | 44,934 | 3.2% | -22.9% | 0.9% |
| TRANSPORTATION | 35,833 | 2.5% | 0.6% | 6.5% |
| BANKING & FINANCIAL SERVICES | 19,771 | 1.4% | -4.4% | 7.4% |
| ARTS ENTERTAINMENT & RECREATION | 18,592 | 1.3% | 2.6% | 0.0% |
| PERSONAL SERVICES | 14,760 | 1.0% | 22.3% | 3.4% |
| FEDERAL GOVT. ADMINISTRATION | 11,044 | 0.8% | -12.9% | -8.5% |
| NONPROFITS | 10,446 | 0.7% | -9.8% | -3.0% |
| INSURANCE SERVICES | 7,902 | 0.5% | -16.2% | 1.5% |
| STATE GOVT. ADMINISTRATION | 2,139 | 0.2% | -36.4% | -10.4% |
| WAREHOUSING & STORAGE | 2,090 | 0.1% | -3.5% | -4.0% |
| UTILITIES* | 2,014 | 0.1% | -3.3% | 11.4% |
| INNOVATION AND INFORMATION PRODUCTS & SERVICES | 345,812 | 24.3% | 9.9% | 2.6% |
| COMPUTER HARDWARE DESIGN & MANUFACTURING | 128,155 | 9.0% | 17.8% | 3.8% |
| SEMICONDUCTORS & RELATED EQUIPMENT MANUFACTURING | 50,794 | 3.6% | -10.4% | 0.5% |
| INTERNET & INFORMATION SERVICES | 35,356 | 2.5% | 72.7% | 19.1% |
| TECHNICAL RESEARCH & DEVELOPMENT (INCLUDES LIFE SCIENCES) | 32,621 | 2.3% | 22.8% | 5.0% |
| SOFTWARE | 27,333 | 1.9% | 33.3% | 5.8% |
| TELECOMMUNICATIONS MANUFACTURING & SERVICES | 20,043 | 1.4% | -6.4% | -13.2% |
| INSTRUMENT MANUFACTURING (NAVIGATION MEASURING & ELECTROMEDICAL) | 15,485 | 1.1% | -33.9% | -16.3% |
| PHARMACEUTICALS (LIFE SCIENCES) | 12,825 | 0.9% | -1.9% | 8.2% |
| OTHER MEDIA & BROADCASTING INCLUDING PUBLISHING | 7,913 | 0.6% | -4.0% | -3.4% |
| MEDICAL DEVICES (LIFE SCIENCES) | 7,005 | 0.5% | -1.0% | 5.9% |
| BIOTECHNOLOGY (LIFE SCIENCES) | 6,322 | 0.4% | 3.0% | 4.7% |
| IT REPAIR SERVICES | 5,107 | 0.3% | -17.4% | -12.4% |
| BUSINESS INFRASTRUCTURE & SERVICES | 231,647 | 16.3% | -4.0% | 5.4% |
| WHOLESALE TRADE | 58,806 | 4.1% | -6.3% | 3.0% |
| PERSONNEL & ACCOUNTING SERVICES | 28,285 | 2.0% | -26.1% | 7.8% |
| ADMINISTRATIVE SERVICES | 25,222 | 1.8% | -2.9% | 12.8% |
| TECHNICAL & MANAGEMENT CONSULTING SERVICES | 25,101 | 1.8% | 31.4% | 9.9% |
| FACILITIES | 24,878 | 1.7% | 1.3% | 5.4% |
| MANAGEMENT OFFICES | 17,625 | 1.2% | 8.4% | 9.3% |
| DESIGN ARCHITECTURE & ENGINEERING SERVICES | 17,224 | 1.2% | -7.2% | 6.3% |
| GOODS MOVEMENT | 11,156 | 0.8% | -6.6% | 8.4% |
| LEGAL | 10,408 | 0.7% | -6.7% | 3.6% |
| INVESTMENT & EMPLOYER INSURANCE SERVICES | 9,822 | 0.7% | 6.4% | -3.2% |
| MARKETING ADVERTISING & PUBLIC RELATIONS | 3,119 | 0.2% | -13.0% | 7.9% |
| OTHER MANUFACTURING | 54,622 | 3.8% | -21.1% | -3.1% |
| PRIMARY & FABRICATED METAL MANUFACTURING | 14,216 | 1.0% | -12.0% | -3.2% |
| MACHINERY & RELATED EQUIPMENT MANUFACTURING | 11,331 | 0.8% | -18.2% | -2.7% |
| OTHER MANUFACTURING | 9,105 | 0.6% | -6.1% | -1.7% |
| TRANSPORTATION MANUFACTURING INCLUDING AEROSPACE & DEFENSE | 8,368 | 0.6% | -47.3% | -3.9% |
| FOOD & BEVERAGE MANUFACTURING | 8,130 | 0.6% | -6.2% | -3.5% |
| TEXTILES APPAREL WOOD & FURNITURE MANUFACTURING | 2,864 | 0.2% | -25.3% | 1.8% |
| PETROLEUM AND CHEMICAL MANUFACTURING (NOT IN LIFE SCIENCES) | 587 | 0.0% | -45.4% | -28.4% |
| OTHER | 85,403 | 6.0% | 58.6% | 7.7% |

Data Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW). * Includes government jobs (state, local). Note: Table includes annual industry employment data for Silicon Valley from the United States Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) for 2007 and 2012, modified slightly by DHS (Economic Modeling Specialists Int.), which removes suppressions and reorganizes public sector employment. Data for Q2 of 2013 was estimated at the industry level by BMR Research using Q1 2013 QCEW data and updated based on Q2 2013 reported growth and totals, and modified slightly by DHS.

Highest Growth Sectors (2012-2013)

| | |
|--|-------|
| Internet & Information Services | 19.1% |
| Administrative Services | 12.8% |
| Utilities | 11.4% |
| Technical & Management Consulting Services | 9.9% |
| Goods Movement | 9.4% |
| Management Offices | 9.3% |
| Construction | 9.2% |
| Pharmaceuticals (Life Sciences) | 8.2% |
| Marketing, Advertising & Public Relations | 7.9% |
| Personnel & Accounting Services | 7.8% |
| Banking & Financial Services | 7.4% |

MAJOR AREAS OF ECONOMIC ACTIVITY

APPENDIX A

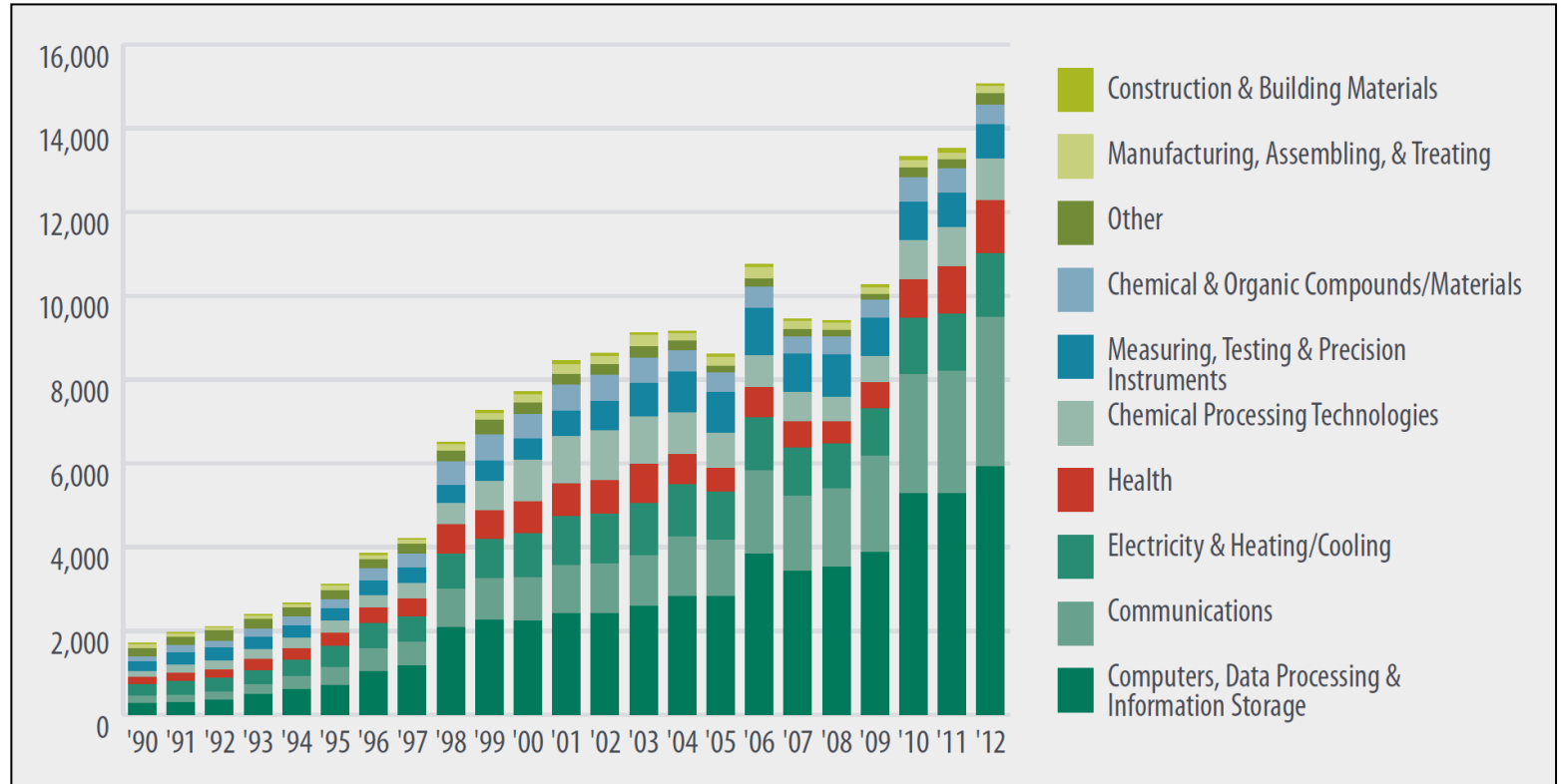
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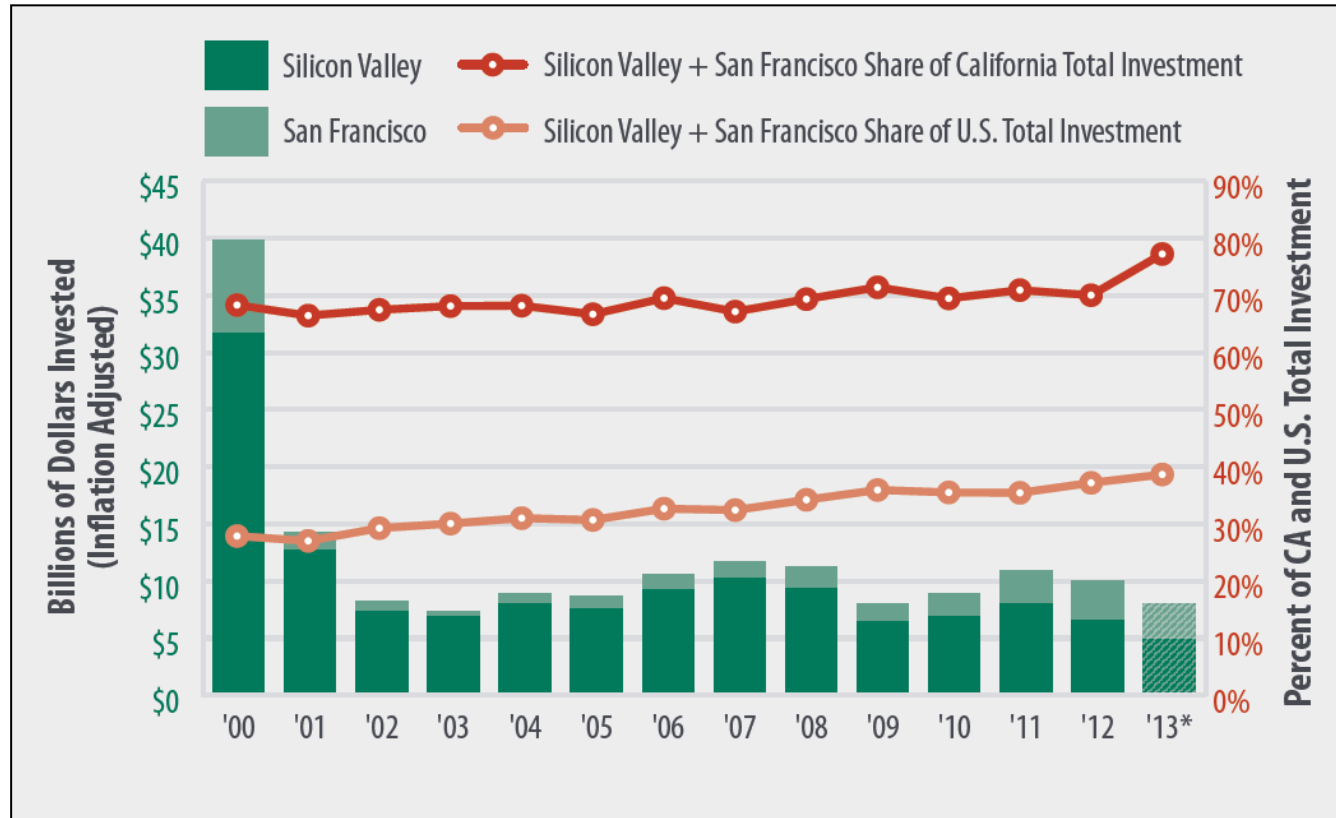
Sectors With Job Losses (2012-2013)

| | |
|--|--------|
| Petroleum and Chemical Manufacturing | -28.4% |
| Instrument Manufacturing | -16.3% |
| Telecommunications Manufacturing & Services | -13.2% |
| I.T. Repair Services | -12.4% |
| State Govt. Administration | -10.4% |
| Federal Govt. Administration | -8.5% |
| Warehousing & Storage | -4.0% |
| Transportation Manufacturing incl. Aerospace & Defense | -3.8% |
| Food & Beverage Manufacturing | -3.5% |
| Other Media & Broadcasting, including Publishing | -3.4% |
| Investment & Employer Insurance Services | -3.2% |
| Primary & Fabricated Metal Manufacturing | -3.2% |
| Nonprofits | -3.0% |
| Machinery & Related Equipment Manufacturing | -2.7% |
| Other Manufacturing | -1.7% |
| Insurance Services | -1.5% |
| Education* | -0.1% |

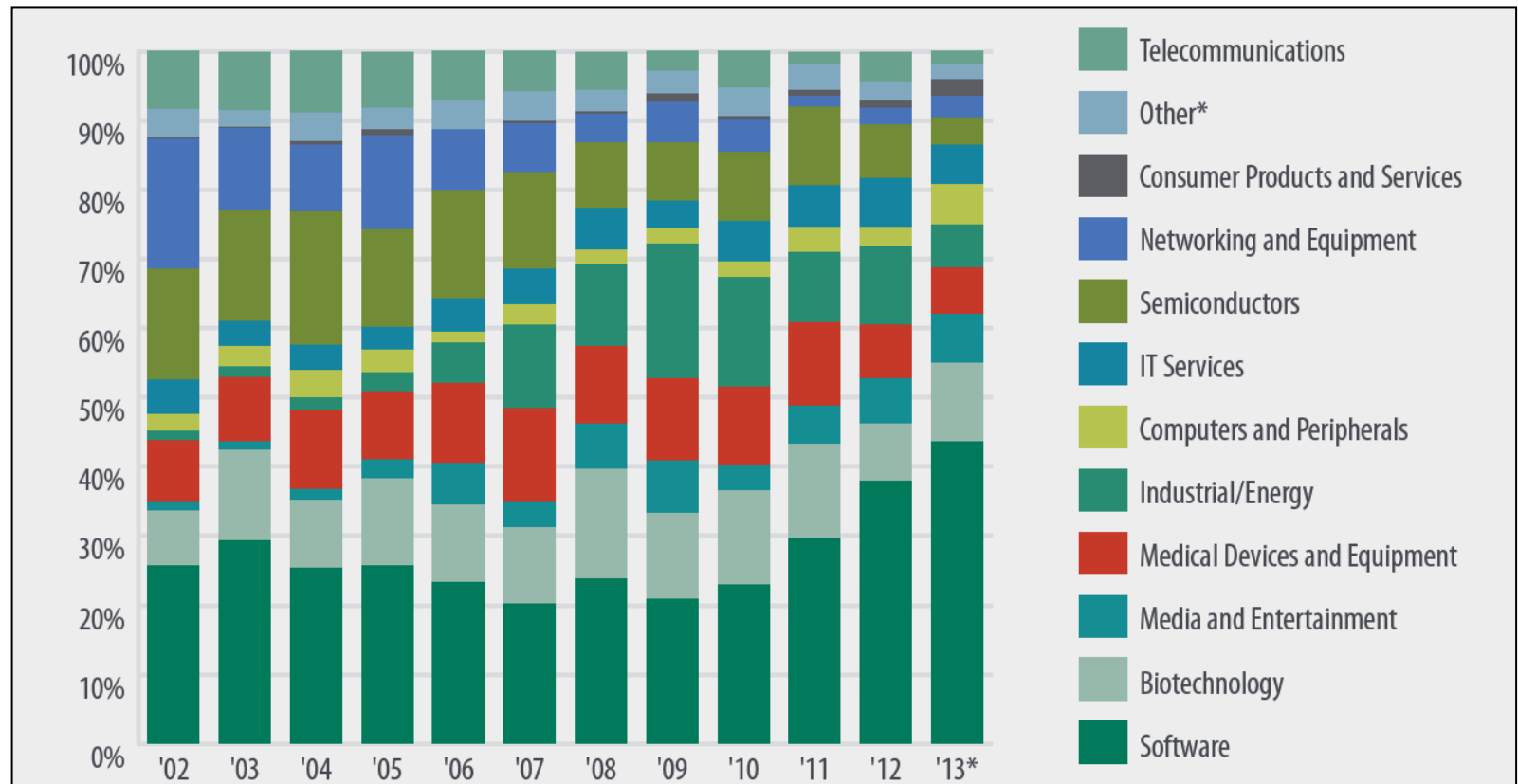
PATENT REGISTRATIONS



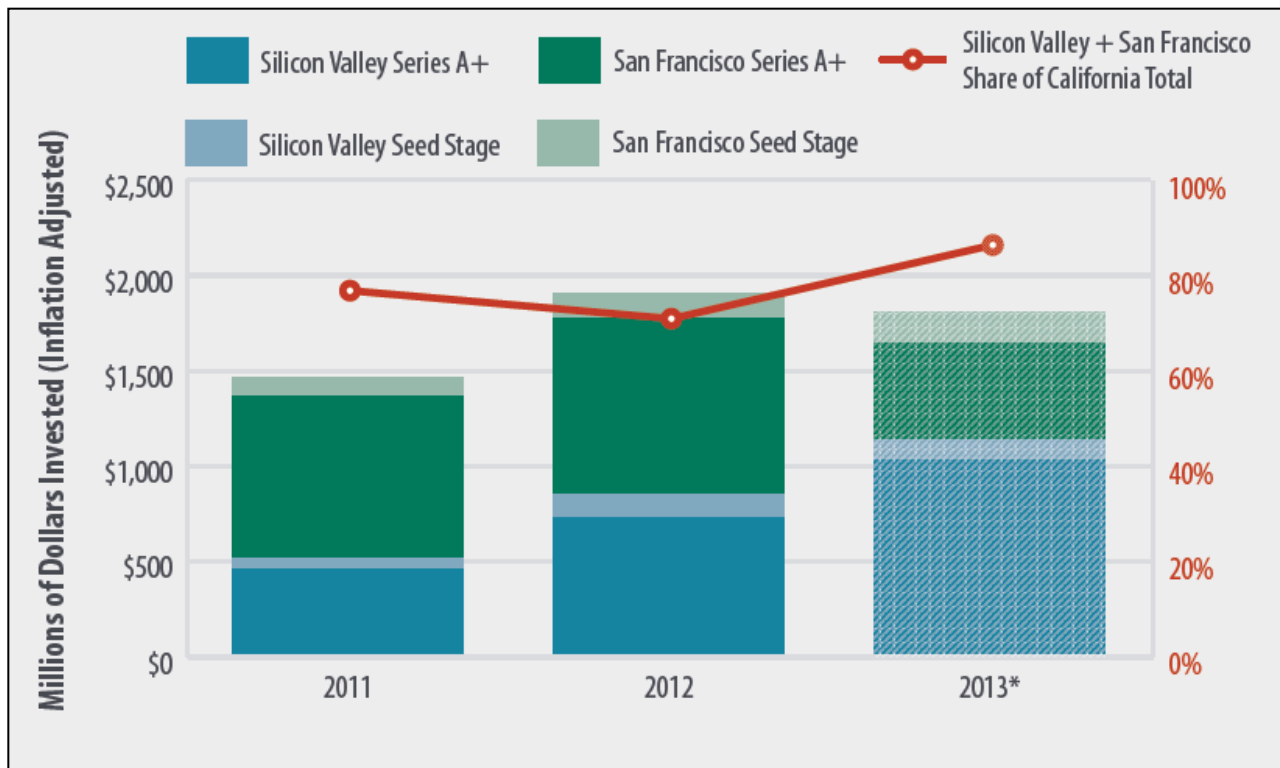
VENTURE CAPITAL



VENTURE CAPITAL BY INDUSTRY



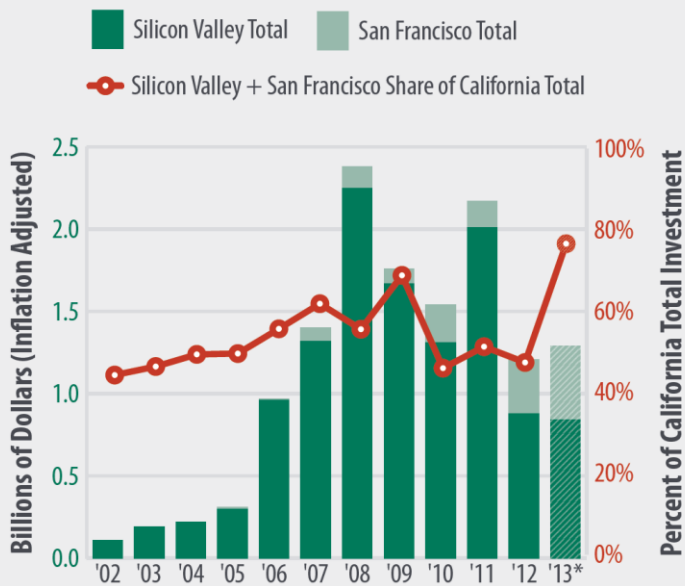
ANGEL INVESTMENT



CLEANTECH VENTURE CAPITAL

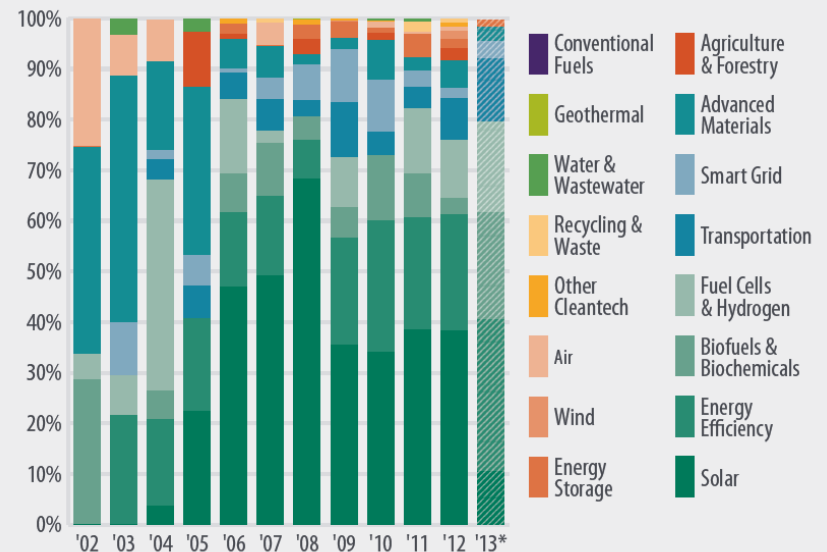
Billions of Dollars Invested

Silicon Valley, San Francisco, and California



Percentage of Total VC Investment in Clean Technology

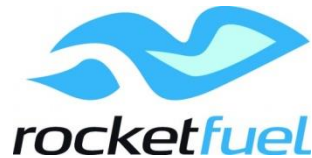
Silicon Valley



INITIAL PUBLIC OFFERINGS



KINDRED BIO

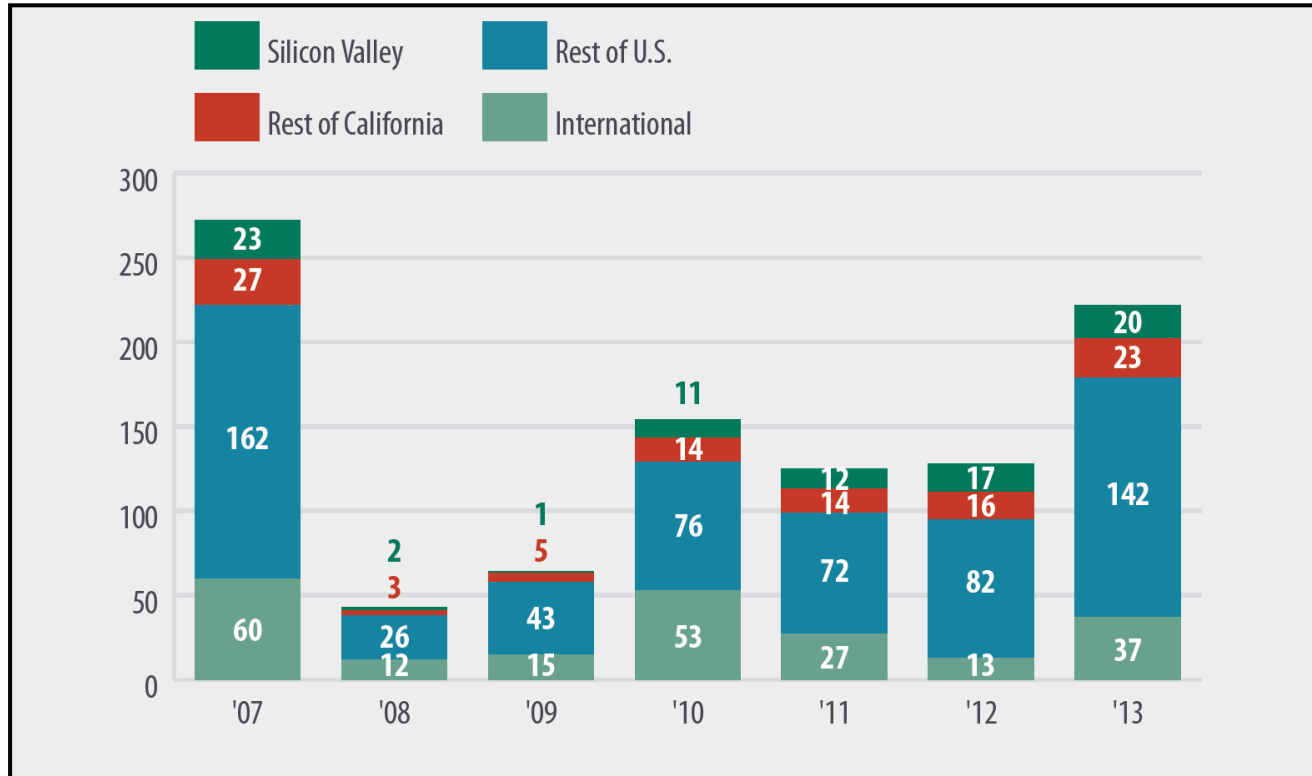


UCP



PORTOLA
PHARMACEUTICALS

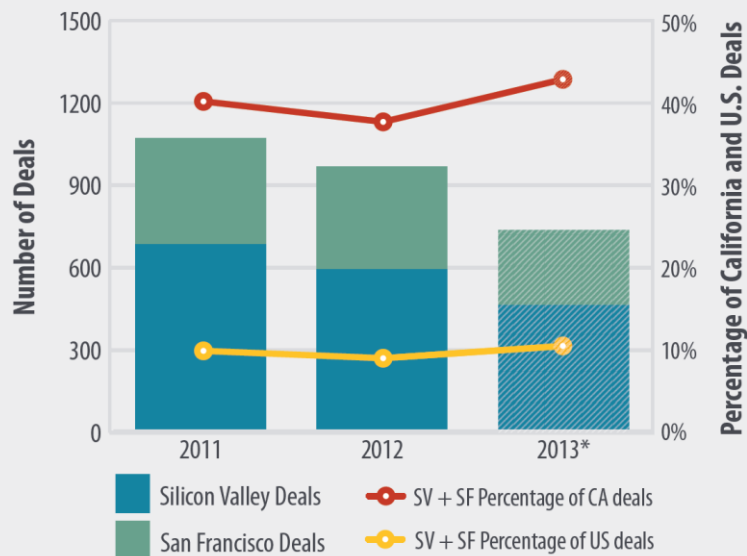
INITIAL PUBLIC OFFERINGS



MERGERS AND ACQUISITIONS

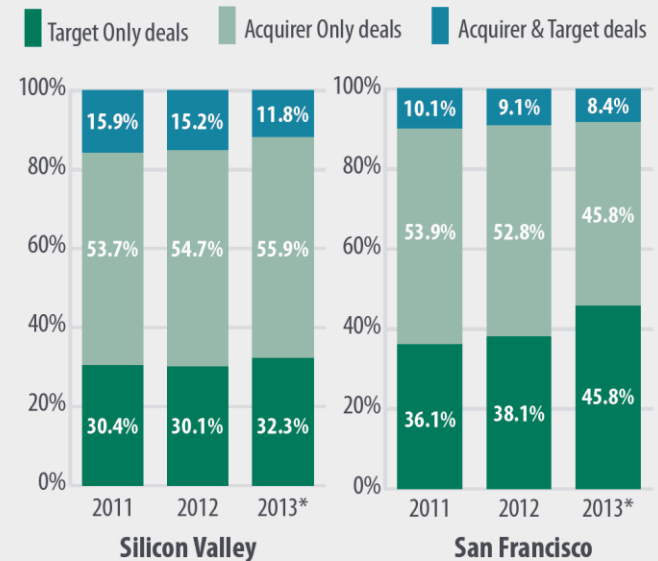
Number of Deals and Share of California and U.S. Deals

Silicon Valley, San Francisco, California, and the United States



Percentage of Merger & Acquisition Deals by Participation Type

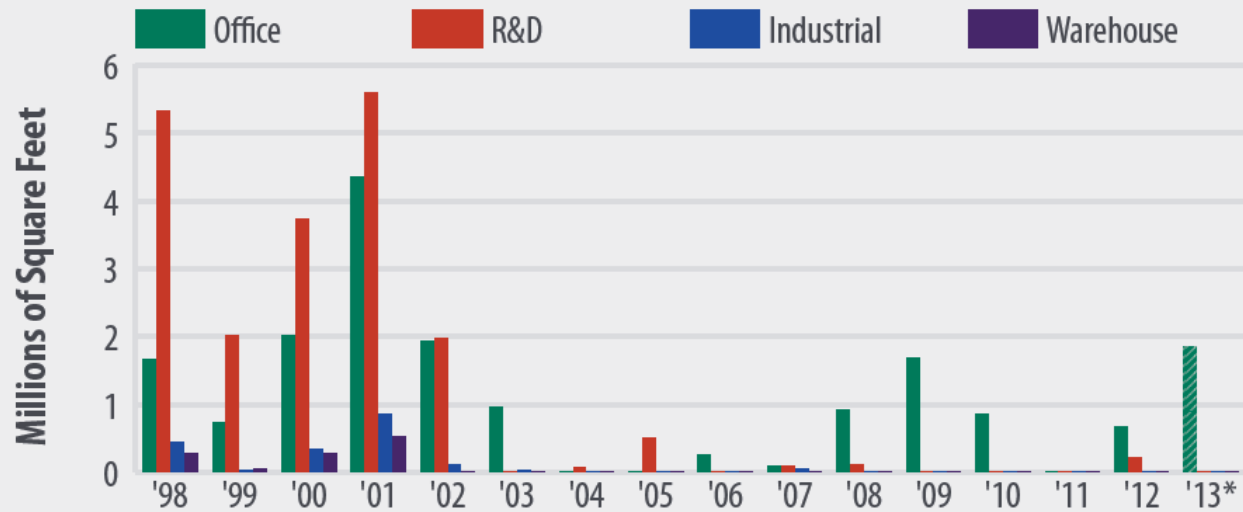
Silicon Valley and San Francisco



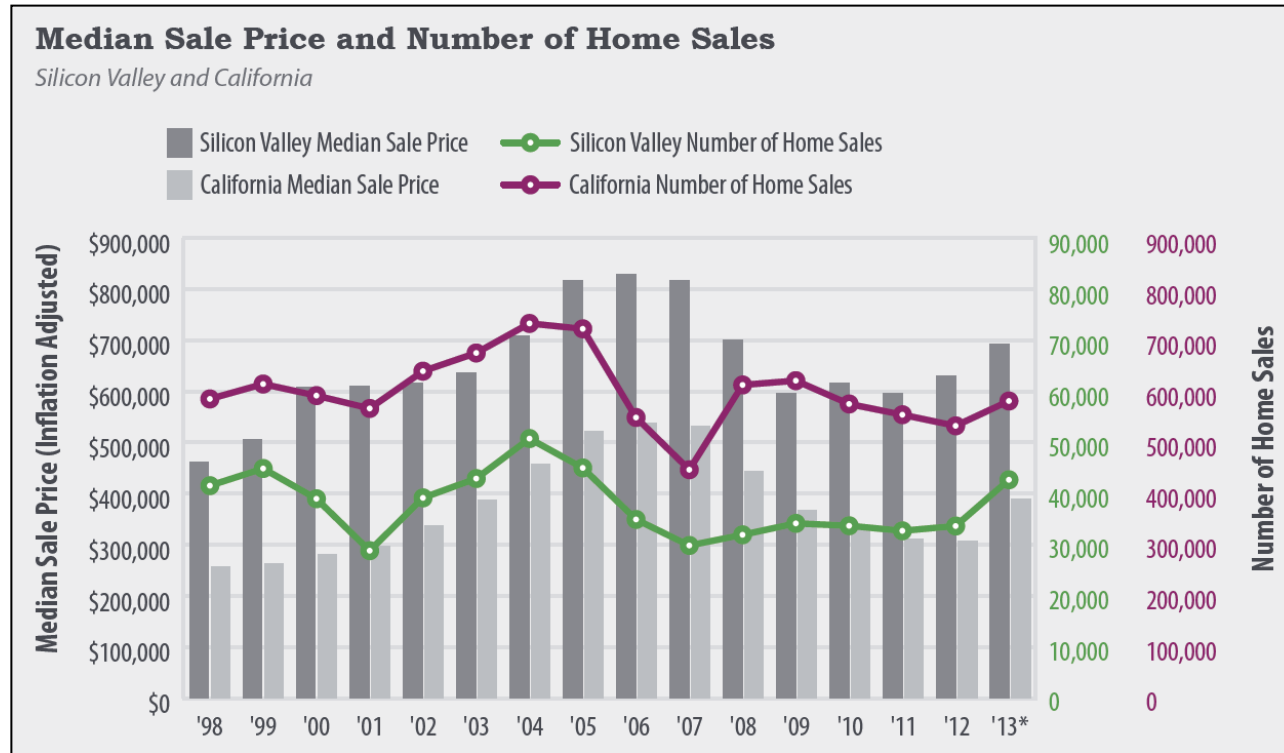
COMMERCIAL SPACE

New Commercial Development, by Sector

Santa Clara County



HOME SALES



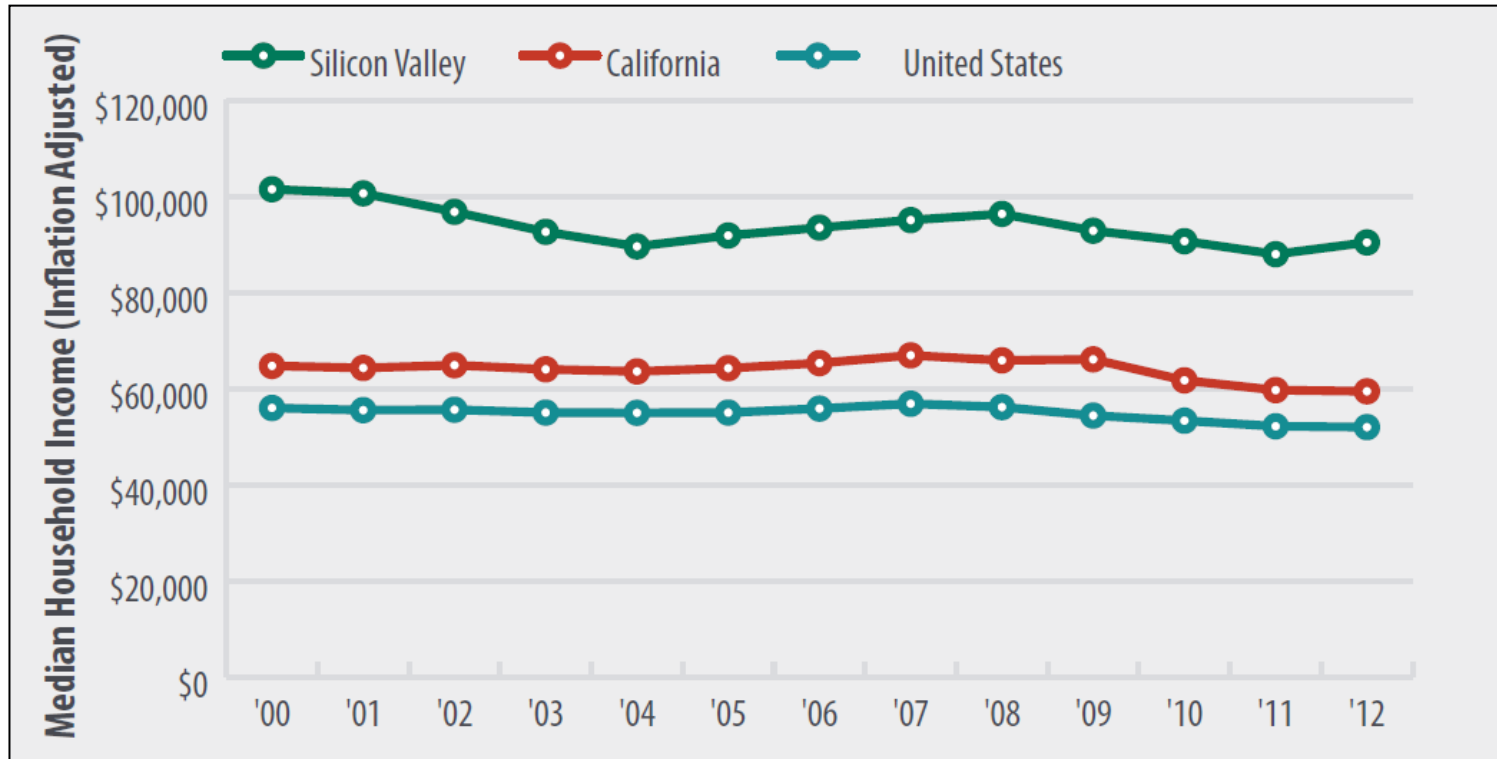
San Mateo County
\$831k

Santa Clara County
\$737k

AVERAGE ANNUAL EARNINGS

| | |
|----------------|-----------|
| Silicon Valley | \$107,395 |
| California | \$68,384 |
| U.S. | \$60,010 |

MEDIAN INCOME



**But one of the biggest developments in
Silicon Valley right now is ...**



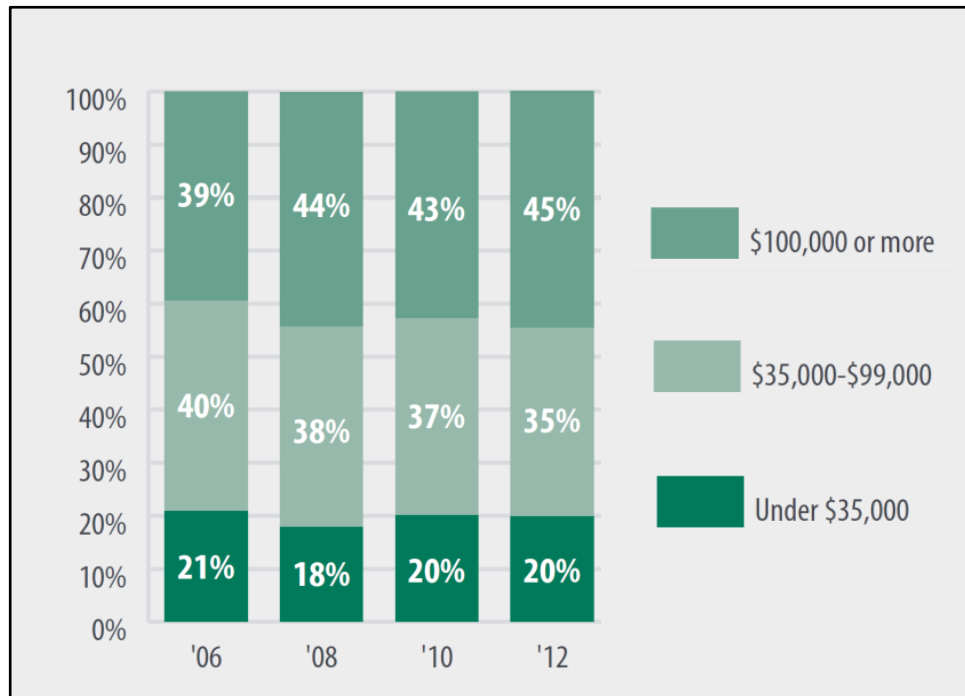
The emergence of San Francisco!

Silicon Valley's economy is sizzling

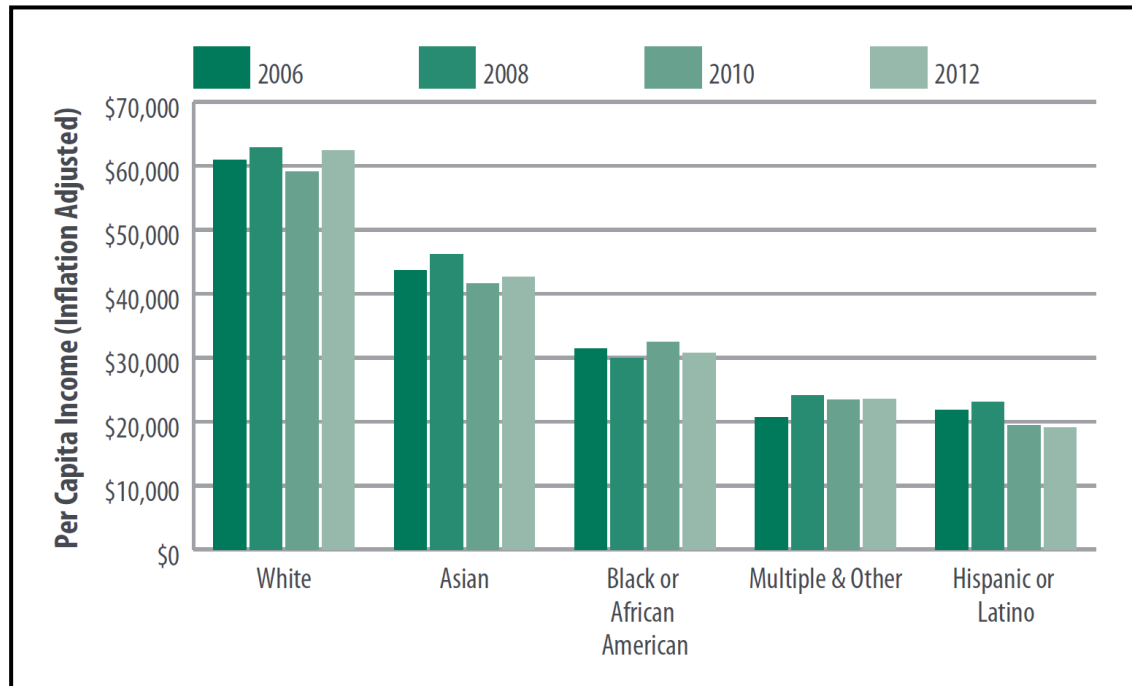
... and it might get even hotter

So what's not to like?

DISTRIBUTION OF HOUSEHOLDS BY INCOME RANGES



PER CAPITA INCOME BY RACE/ETHNICITY



MEDIAN PRICED HOME **\$691,850**

Down Payment: 20% **\$138,370**

Median Household Income: **\$ 90,415**

Monthly Payment: \$3,692 **\$ 44,304 / yr**

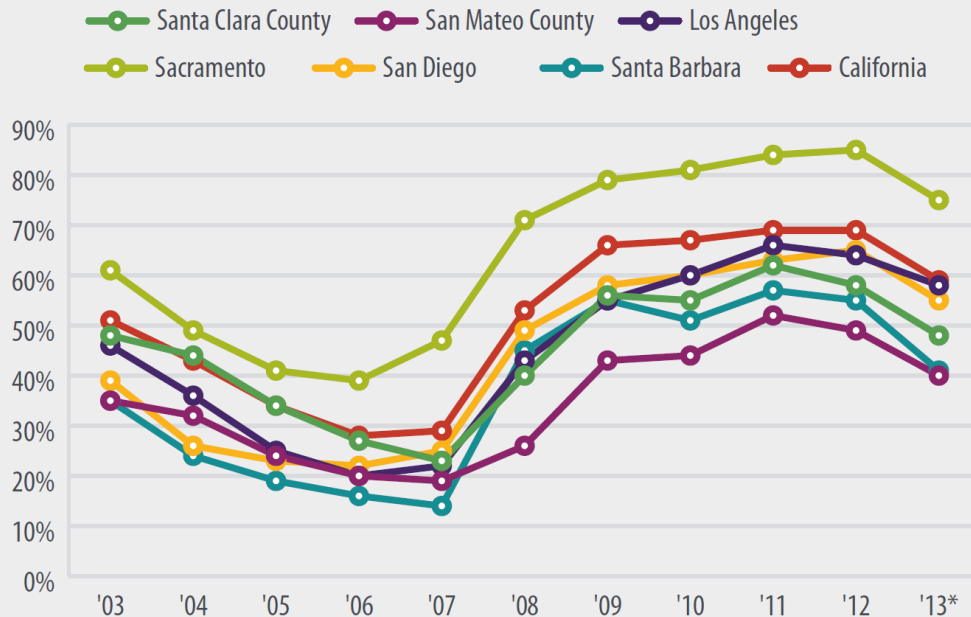
→ Housing Costs = **49%** of gross income

UNAFFORDABLE

HOME AFFORDABILITY

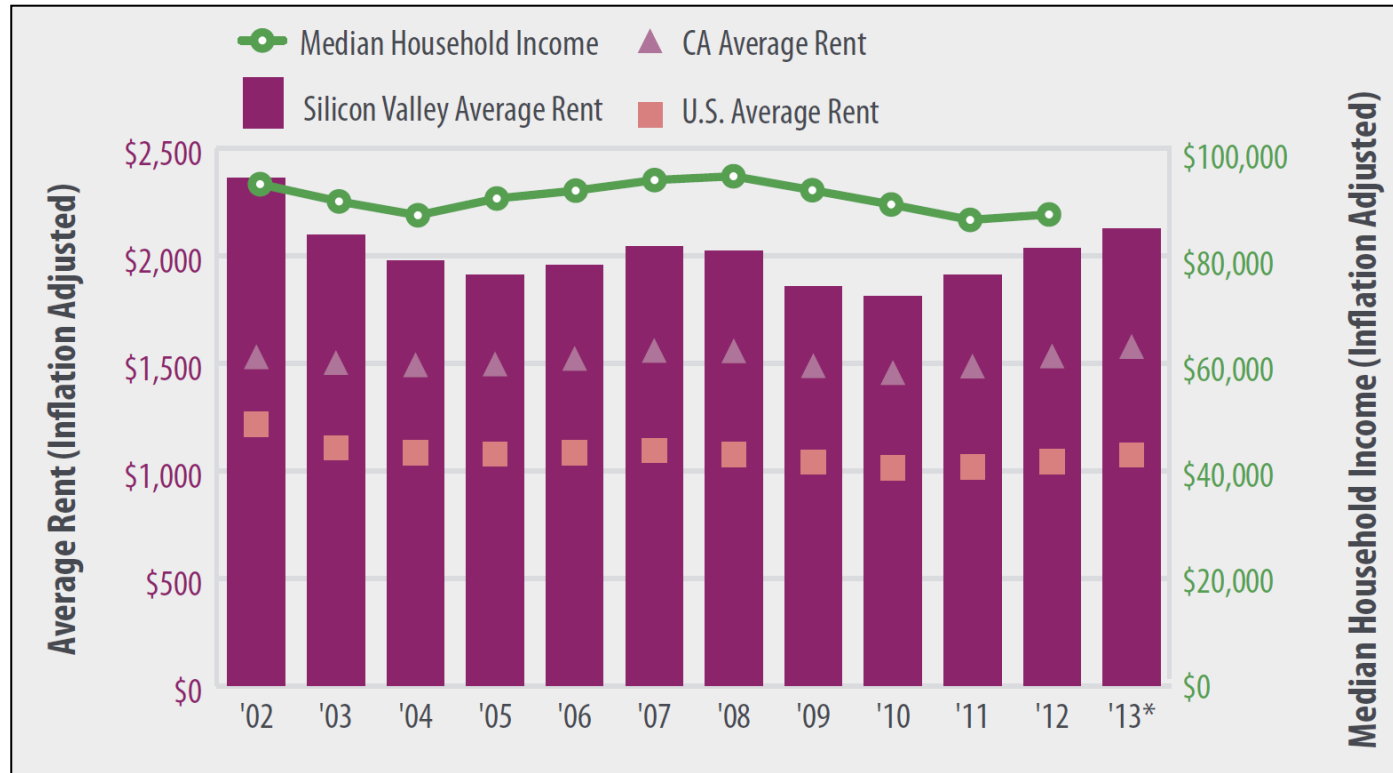
Percentage of Potential First-Time Home Buyers That Can Afford to Purchase a Median-Priced Home

Silicon Valley and Other California Regions



So it's better to Rent?

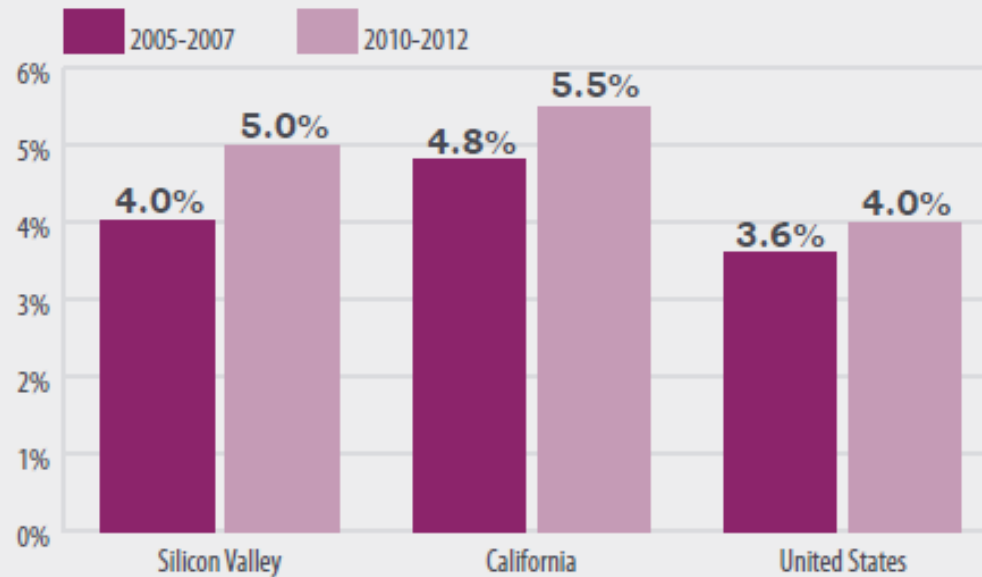
RENTAL AFFORDABILITY



Move in with your parents?

Percentage of Households with Grandparents and Grandchildren

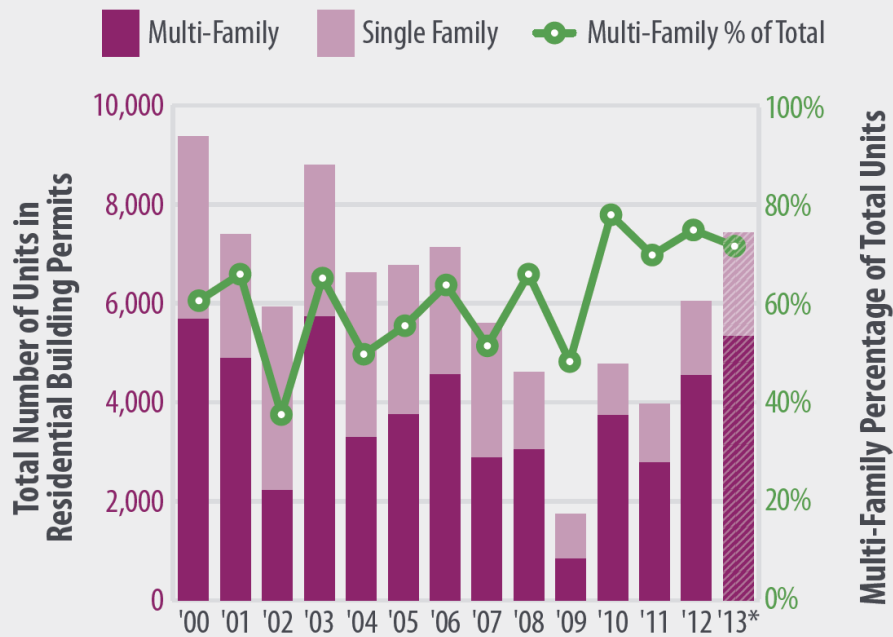
Santa Clara & San Mateo Counties, California, and the United States



RESIDENTIAL UNITS PERMITTED

Single Family and Multi-Family Units Included in Residential Building Permits Issued

Santa Clara & San Mateo Counties



+33,636



Train travel in Europe

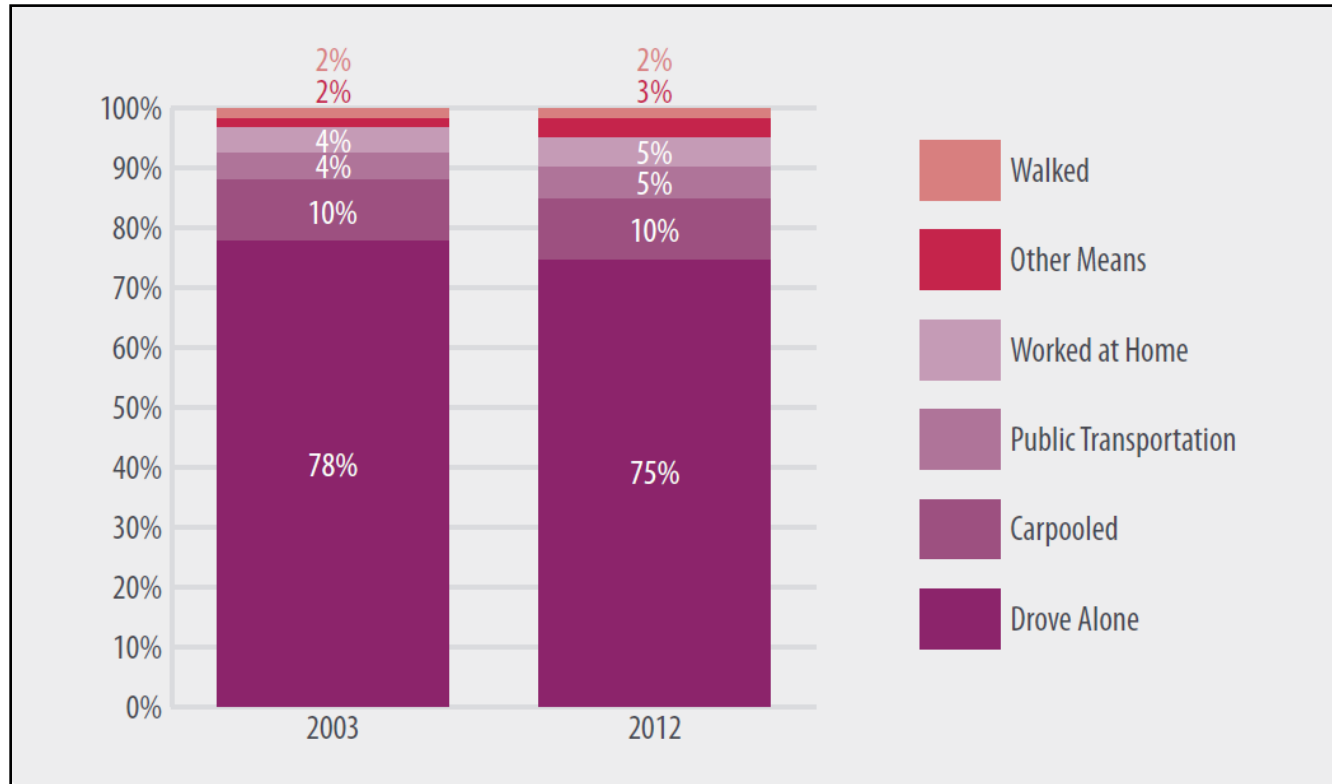


Train Travel in Silicon Valley



Built in 1863

MEANS OF COMMUTE



**All of which
brings us to
Fremont ...**



My opinion: Fremont is the perfect embodiment of Silicon Valley

Fremont, Why Do I Love Thee?

Let me count the ways ...

- 1. Your employment growth.**
- 2. Your approach to housing.**
- 3. Your patent generation.**
- 4. Your diversity.**
- 5. Your cleantech.**
- 6. Your approach to sustainability.**
- 7. Your superb management.**

